

Before the
Federal Communications Commission
Washington, D.C. 20554

RECEIVED

SEP - 4 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matters of)

1998 Biennial Regulatory Review--)
Review of Accounting and Cost)
Allocation Requirements)

United States Telephone Association)
Petition for Rulemaking)

CC Docket No. 98-81

ASD File No. 98-64

STATE MEMBERS OF THE
JOINT BOARD IN CC DOCKET NO. 80-286
REPLY COMMENTS

The State members of the 80-286 Joint Board ("State Members")¹ file these reply comments to respond to the white paper prepared by Arthur Andersen LLP on behalf of a coalition of incumbent local exchange carriers. The paper, entitled "Accounting Simplification in the Telecommunications Industry", was filed July 15, 1998 in the above-captioned proceedings. This paper makes several proposals to change the Uniform System of Accounts contained in Part 32, the requirements for property records and depreciation requirements, and the affiliate transaction rules. In these reply comments, State Members address the timeliness of consideration of the proposals advanced by that paper.

No. of Copies rec'd
List ABCDE

049

¹ The Honorable David W. Rolka, Commissioner, Pennsylvania, The Honorable Joan A. Smith, Commissioner, Oregon, and The Honorable Thomas Welch, Chairman, Maine.

I. DISCUSSION:

Although there *may* be merit to some or all of the recommendations contained in the position paper, State members do not believe that major changes to the FCC's accounting rules, like those described in the paper, should be undertaken at this time.

A. The FCC Should not Make Major Modifications to the Part 32 Rules Until the Ongoing Comprehensive Review of Part 36 Separations Rules Is Completed.

Information from the Part 32 Uniform System of Accounts is used in the Part 36 Separations Process. The FCC has an ongoing proceeding to comprehensively review these Part 36 Separations rules. As Part 36 depends on information from Part 32, major revisions to Part 32, as these rules apply to Tier 1 local exchange companies, should not occur until comprehensive review of separations is complete.

B. Once Comprehensive Review of Separations is Complete, the FCC Should Work Closely with the States to examine Any Major Revisions To Part 32

Many, if not all, States have adopted the FCC Part 32 Uniform System of Accounts for use in State proceedings. Once comprehensive review of Part 36 is complete, modifications of Part 32 *may* be warranted. At that time, if the Commission believes major modifications to Part 32 are in order, State Members urge the FCC to work cooperatively with the States in considering any such changes to (a) ensure it has an adequate record on which to base its decisions and (b) avoid unintended impacts on State regulatory regimes.

C. At a minimum, modifications to the FCC property records and depreciation rules should be deferred at least until the results of recently reported property records are made public.

Modifications to the existing requirements for property records and depreciation requirements are premature. The press has recently reported that the FCC has undertaken audits

of the property records of the Bell companies. Until the results of these audits are made available to the public and are settled, changes to the commission's property records and depreciation requirements are premature.

II. CONCLUSION

For the foregoing reasons, State Members respectfully request the FCC take no action on the Arthur Anderson proposals at this time.

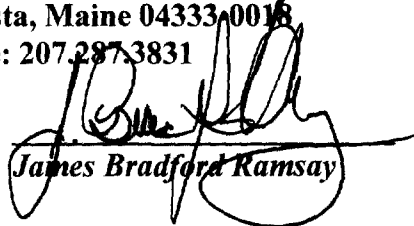
Respectfully Submitted,

**THE HONORABLE DAVID W. ROLKA,
Commissioner,
Pennsylvania Public Service Commission,
P.O. Box 3265
Harrisburg, Pennsylvania 17105-3265
Phone: 717.787.4301**

**THE HONORABLE JOAN H. SMITH,
Commissioner
Oregon Public Utility Commission
550 Capitol Street, N.E.
Salem, Oregon 97310-1380
Phone: 503.378.6611**

**THE HONORABLE THOMAS L. WELCH
Chairman
Maine Public Utilities Commission
242 State Street
State House Station Road, Station 18
Augusta, Maine 04333-0018
Phone: 207.287.3831**

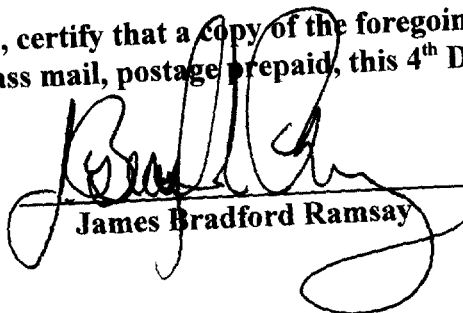
BY:


James Bradford Ramsay

September 4, 1998

CERTIFICATE OF SERVICE

I, James Bradford Ramsay, certify that a copy of the foregoing was served on the parties listed below by first class mail, postage prepaid, this 4th Day of September, 1998.


James Bradford Ramsay

Warren Firschein
Accounting Safeguards Division
Common Carrier Bureau
Federal Communications Commission
2000 L Street - Suite 200
Washington, DC 20554

Larry Sarjeant
Linda Kent
Keith Townsend
United States Telephone Association
1401 H Street - Suite 600
Washington, DC 20005-2136

James D. Ellis
Patricia Diaz Dennis
Robert M. Lynch
Steve Strickland
SBC Communications, Inc.
175 E. Houston - Room 4-D-10
San Antonio, Texas 78205

John M. Goodman
Bell Atlantic Telephone Companies
1300 Eye Street, NW
Washington, DC 20005

Michael S. Pabian
Ameritech Telephone Companies
Room 4H82
2000 West Ameritech Center Drive
Hoffman Estates, Illinois 60196-1025

Jay C. Keithley
Sprint Local Telephone Companies
1850 M Street, NW - 11th Floor
Washington, DC 20036-5807

Sandra K. Williams
sprint Local Telephone Companies
Post Office Box 11315
Kansas City, Missouri 64112

Leander R. Valent
Counsel for Ameritech
9525 West Bryn Mawr - Suite 600
Rosemont, Illinois 60018

Edward Shakin
Attorney for Bell Atlantic Telephone
Companies
8th Floor
Arlington, Virginia 22201

John F. Raposa
GTE Service Corporation
Post Office Box 1452092
Irving, Texas 75015-2092

Andre J. Lachance
GTE Service Corporation
1850 M Street, NW
Washington, DC 20036

James T. Hannon
U S West, Inc.
1020 19th Street, NW
Suite 700
Washington, DC 20036

Daniel L. Poole, of Counsel
U S West, Inc.
1020 19th Street, NW
Suite 700
Washington, DC 20036

Kathryn Z. Zachem
J. Wade Lindsay
U S West, Inc.
Wilkinson, Barker, Knauer & Quinn LLP
2330 N Street, NW
Washington, DC 20037

James U. Troup
Robert H. Jackson
Arter & Hadden LLP
Attorneys for Lexcom Telephone Co.
1301 K Street, NW - Suite 400K
Washington, DC 20006-1301

David W. Zesiger
Executive Director
Independent Telephone &
Telecommunications Alliance
1300 Connecticut Avenue, NW
Suite 600
Washington, DC 20036

M. Robert Sutherland
Stephen L. Earnest
1155 Peachtree Street, NE
Suite 1700
Atlanta, Georgia 30309-3610

Arthur Andersen LLP
1225 17th Street
Suite 3100
Denver, Colorado 80202-5531

Robert M. Lynch
Durward D. Dupre
Darryl W. Howard
Johnathan W. Royston
Attorneys for Southwestern Bell,
Pacific Bell and Nevada Bell
One Bell Plaza, Room 3022
Dallas, Texas 75202

David L. Meier, Director
Regulatory Affairs
Cincinnati Bell
Post Office Box 2301
Cincinnati, Ohio 45201-2301

Association of Tech Act Projects
West Old State Capitol Plaza
Suite 100
Springfield, Illinois 62701

Gregg C. Sayre
General Attorney
Frontier Corporation
180 South Clinton Avenue
Rochester, New York 14646-0700

David E. Screven
Assistant Counsel
PaPUC Law Bureau
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265